

**Statement of PPL Montana  
Before the Federal Relations, Energy and Telecommunications Committee  
Of the Montana House  
In Support of Senate Bill No. 257  
March 13, 2009**

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Mr. Chairman and members of the Committee:

I stand in support of SB 257 and would like to thank Sen. Keane and many others for their hard work and innovation in putting this bill together.

For reasons already mentioned, this bill is a win-win. It supports low income folks with weatherization assistance; it supports and strengthens the renewable portfolio by providing a non-intermittent stable supply of power that needs no expensive load-following product; and it supports business decisions to make significant investments in Montana.

PPL Montana has already made decisions to invest in hydro upgrades at our facilities in Montana. At Kerr Dam, for example, we invested millions of dollars to upgrade a unit by installing a new and more efficient turbine. That investment created construction jobs and increased the output of that unit by about 20%, or 12 megawatts.

We have already chosen to make an upgrade investment at the Rainbow plant near Great Falls currently scheduled to start in March of 2010—an investment expected to be nearly \$200 million. This project involves construction over a two and a half year period of a new power house, increasing production at that plant by about 24 megawatts without any significant change in the operation of the river. The new power house will also contain a water turbine that is much more “fish-friendly” than the existing eight smaller turbines.

There are other existing hydro plants, owned by us and others around the state, that could support significant upgrade investments, and the incentives in this bill could mean the difference in determining if those investments are economical and should be made. Such investments would provide good-paying construction jobs, stimulate economic development, bring stability to the renewable supply, and under the terms of this bill, provide assistance to low-income persons through the weatherization program

We heard opposition testimony in the Senate Committee from some segments of the environmental community which, frankly, baffle me. What could be more environmentally friendly than an upgrade at an existing facility that poses no adverse environmental impact, kills no birds or bats, helps protect fish, already interconnects to

the transmission grid, and requires no expensive load-following product at consumer expense?

You may hear testimony that the green credits earned from these small amounts of hydro will somehow destroy or devalue the green credit market in Montana. There really is no "Montana market" at this time, but rather, a regional market that recognizes and trades in hydro upgrades. Montana is actually behind the curve in recognizing hydro upgrades—most other states and the federal government recognize upgrades in some form as renewable. As a matter of fact, the energy portion of the Federal Stimulus Bill recognizes and incents hydro upgrades as renewables.

You may hear that this bill has a retroactivity component that advantages hydro. Not true. This bill treats hydro upgrades the same, in terms of retroactivity, as any other renewable resource defined in existing statute. However, in order to satisfy the opponents' concerns in that regard, the Senate Energy Committee amended the bill to make it perfectly clear that no hydro green credits prior to the effective date of this bill could be counted.

In fact, the Senate Committee amended this bill a second time to address opponents' concerns by deleting the "repair and maintenance" language. Nevertheless, Montanans are now receiving emails from a group called "Harvesting Clean Energy" which are generated in Olympia, Washington, urging us to contact our legislators and the governor to oppose this bill.

The only different treatment of hydro in this bill is the commendable requirement that 22% of the RECs earned be turned over to DPHHS for low-income weatherization assistance. No other renewable is required to do that. In exchange, this bill provides that the green megawatts attributable to an upgrade be counted as the first produced without a proportionate reduction due to reduced seasonal water flows.

I urge your do-pass vote. Thank you.